

Message Text

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FM AMCONSUL TORONTO
TO SECSTATE WASHDC 7055
INFO AMEMBASSY OTTAWA

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E.O. 11652: N/A
TAGS: CPRS, CA
SUBJ: CONGRESSIONAL INTEREST - CLAIMS CASE

REF: A) TORONTO 0147; B) OTTAWA LETTER TO STATE,
FEB 28, 1978 (ERICKSON/MONROE)

1. CONSUL GENERAL CALLED ON ONTARIO MINISTER OF CONSUMER AND
COMMERCIAL RELATIONS LARRY GROSSMAN APRIL 3 TO DISCUSS U.S.
CLAIMS AGAINST ONTARIO TRAVEL INDUSTRY COMPENSATION FUND NOT
HONORED BY FUND TRUSTEES AND NOW PENDING BEFORE COMMERCIAL
REGISTRATION APPEAL TRIBUNAL. TALKING POINTS MEMORANDUM
AGREED UPON IN DRAFT WITH DEPARTMENT AND EMBASSY LEFT
WITH MINISTER - COPIES BEING POUCHED ADDRESSEES.

2. MINISTER ASSURED CONSUL GENERAL HE AWARE OF CASE AND
THAT HE IS SATISFIED THAT DECISIONS MADE THUS FAR WITH-
OUT POLITICAL BIAS. HE CONTENTS POLITICS WILL NOT BE
INJECTED IN HANDLING OF MATTER. GROSSMAN MADE NECESSARY
POINT THAT WHILE FUND TRUSTEES AND APPEAL TRIBUNAL UNDER
COVER OF HIS MINISTRY, HE HAS NO AUTHORITY OVER
DELIBERATIONS AND DECISIONS OF EITHER.

3. GROSSMAN SAID INFORMALLY THAT CLAIMANTS APPEAR TO
HAVE GOOD CASE AGAINST FUND BEFORE APPEAL TRIBUNAL.
IF CLAIMS SETTLED, TRAVEL INDUSTRY ACT OF 1974 WILL
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MOST LIKELY BE AMENDED TO PREVENT WHAT GOVERNMENT AND
INDUSTRY APPARENTLY BELIEVE HAPPENED IN THIS CASE -
MONEY FROM U.S. CLIENTS FUNNELED THROUGH CANADIAN
BRANCH TO U.S. WHOLESALER AND WHILE PROFITS WENT TO
U.S., CANADIAN OPERATION IN BANKRUPTCY PROTECTED BY
COMPENSATION ONTARIO TRAVEL ACT AND CLIENTS CLAIMING
REIMBURSEMENT. MINISTER EMPHASIZED THAT HE WAS NOT

SUGGESTING THAT THIS DONE BY DESIGN IN CASE AT HAND
BUT THAT RESULT THE SAME. GROSSMAN SAID HE MOST
SENSITIVE TO DESIRE OF CONGRESSMEN TO SERVE CONSTITUENTS.
HE FELT THAT CONGRESSMEN MIGHT WISH TO EXAMINE BOOKS OF
BANKRUPT OTTAWA FIRM'S NEW YORK PARENT, WHICH HE BELIEVES
STILL OPERATING, TO SEE IF CONSTITUENTS' MONEY DID NOT
WIND UP THERE.

4. COMMENT - MINISTER GROSSMAN APPEARED WELL BRIEFED ON
MATTER AND WAS COOPERATIVE IN DISCUSSION. WHILE HE WAS NOT
ARGUMENTATIVE, HIS OBSERVATIONS ON ALLEGED FUNNEL EFFECT
OF PAYMENTS FROM U.S. CLIENT TO CANADIAN BRANCH TO U.S.
PARENT REFLECT WHAT WE HAVE HEARD FROM BUREAUCRACY AND
WHAT WE SUSPECT IS REASON FUND TRUSTEES REFUSED CLAIMS.
WHILE SUSPICIONS OF ONTARIO OFFICIALS MAY BE CORRECT
AND WHILE U.S. PARENT MAY IN FACT HAVE PROFITED FROM
CASES AT HAND, BASIC ISSUE REMAINS THAT OTTAWA
FIRM WAS REGISTERED UNDER ONTARIO TRAVEL INDUSTRY ACT
AND CLIENTS WHO SUFFERED FROM BANKRUPTCY HAVE RIGHT TO
CLAIM FOR COMPENSATION.
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